

**Q. What happens if I am not adequately insured?**

**A.** When a loss occurs, your family experiences devastation. During this time, you don't want the additional financial responsibility that may result if you are not adequately insured. Policyholders often think they are only responsible for the insurance deductible. During the time you've owned your home, labor and building material costs have changed due to the economy and inflation. Remodeling you've done may not be reflected in the current dwelling value. Therefore, it's important that you have adequate insurance coverage to include all reconstruction costs.

**Q. How will the information I provide to you accurately predict the replacement cost of my home?**

**A.** By providing us with up-to-date information about your home, you can have peace of mind knowing your family is protected if a loss occurs. The information you give us will enable us to determine the replacement cost estimate for your home. In the event of a loss, your home can be replaced with like kind and quality materials and restored back to its original condition.

**For all your insurance needs.**

Erie Insurance offers a broad range of services to meet family insurance needs, including auto and boat insurance and a variety of home and tenant insurance policies. ERIE also offers a variety of business insurance products to meet the needs of both small and large businesses. Erie Family Life Insurance offers a complete line of products to meet individual and business life insurance needs.

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# Home Value

Replacement Cost





## Are You Adequately Protected?

For many of us, our home is a place of comfort and joy. Home is where the heart is. It's where we raise our families. It's the place we spend hours decorating to make it our own. Oftentimes, it's also one of the biggest investments we make, and one we want and need to protect.



Over time, a homeowner may make changes to their home. Refinish a basement. Customize a kitchen or bathroom. Install a picture window. In addition, the effects of the economy and inflation cause the replacement value of your home to change over time. These changes add value to a home and directly impact the amount of insurance needed to fully protect your home.

To adequately protect your home, it's important that your policy information is up to date and accurate. By taking a few moments to call us, we can update our policy records. The information you provide to us will help us get an accurate profile of your home—both inside and outside—and will be used to calculate the appropriate cost to reconstruct your home in case of a loss. With this valuable service, ERIE can ensure that our Policyholders are adequately covered.

### Q. Is there a difference between the selling price of my home and the amount of insurance I need?

A. The selling price, or market value, of a home is determined by factors such as the age and size of the house, its physical condition and location and the cost of the land. When insurers calculate the replacement value of your home, some of these same factors, like the age and size of the house, are used for determining both the market value and the replacement value. However, a number of different factors are also used to determine replacement cost. In some instances, the market value of your home represents just one-half or one-third of the cost to rebuild. The amount of insurance you need to carry on your home is best represented by the replacement cost and not market value.

### Q. What determines the replacement cost of my home?

A. Several factors are considered when determining the replacement cost of your home including:

- Local construction costs for building materials and labor
- Square footage of your home
- Year built
- Exterior features such as wall construction, the type of roof and exterior trim
- Style of house (ranch, two-story, etc.)
- Number of bathrooms
- Fireplaces and other special features like arched windows
- Whether the house, or parts of it, like the kitchen, were custom built
- Improvements to the home such as adding a second bathroom or a finished basement
- Central air-conditioning
- Attached garage

When a large loss occurs and the home must be rebuilt, several additional costs may be incurred. For instance, debris must first be removed before reconstruction begins. Contractors' and architects' fees that might not have been included in the original cost to build your home are part of the reconstruction cost. Building codes change and often require that contractors use different materials when reconstructing the home. Finally, if a contractor is rebuilding just one home, rather than multiple homes in one location with similar characteristics, they lose economies of scale therefore increasing the cost of reconstruction.